

MAYFIELD INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2009

MAYFIELD INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayfield Independent School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated October 21, 2009, on my consideration of the Mayfield Independent School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Mayfield Independent School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Benton, Kentucky
October 21, 2009

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the Mayfield Independent School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$684,080.
- The Mayfield High School roof and HVAC unit were replaced with a portion of the cost (\$239,289.55) paid in 2008-2009.
- Mayfield High School stage renovation was completed, including new curtains, lighting, and sound system. The wood floor was also refinished.
- Mission and Belief statements signage were placed in each school.
- Mayfield School District celebrated its 100th year anniversary.
- Floor tile was replaced in the Central Office.
- The General Fund had \$11,887,990 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$11,450,063 in General Fund expenditures.
- The district’s total bonded debt for 2008-2009 was \$8,720,000 and for 2007-2008 was \$9,190,000.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$6,936,588 as of June 30, 2009. The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

	Net Assets for the period ending	
	June 30, 2009	June 30, 2008
Current Assets	\$ 1,756,877	\$ 1,130,329
Noncurrent Assets	<u>14,732,853</u>	<u>15,147,194</u>
Total Assets	<u>\$ 16,489,730</u>	<u>\$ 16,277,523</u>
Current Liabilities	\$ 827,757	\$ 778,155
Noncurrent Liabilities	<u>8,725,385</u>	<u>9,202,398</u>
Total Liabilities	<u>\$ 9,553,142</u>	<u>\$ 9,980,553</u>
Net Assets		
Investment in capital assets (net of debt)	\$ 5,750,218	\$ 5,718,233
Restricted	197,927	21,331
Unreserved Fund Balance	<u>988,443</u>	<u>557,406</u>
Total Net Assets	<u>\$ 6,936,588</u>	<u>\$ 6,296,970</u>

Comments on Budget Comparisons

- The General Fund's total revenues for the fiscal year ended June 30, 2009, net of interfund transfers, were \$11,887,990.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,058,801 more than budget.
- The total cost of all General Fund programs and services was \$11,391,044 net of debt service.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district were \$2,225,992.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2009 as compared to the fiscal year ended June 30, 2008.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

	June 30, 2009	June 30, 2008
Program Revenues:		
Charges for services – food services	\$ 112,037	\$ 110,154
Charges for services – governmental	114,609	293,735
Operating grants – food services	831,652	809,414
Operating grants – governmental	4,419,887	4,426,068
Capital grants	<u>819,054</u>	<u>705,513</u>
Total Program Revenues	<u>\$ 6,297,239</u>	<u>\$ 6,344,884</u>
General Revenues:		
Taxes	2,750,877	2,821,709
Earnings on investments	29,656	50,848
State and formula grants	6,962,734	6,851,349
Miscellaneous	<u>52,770</u>	<u>85,738</u>
Total General Revenues	<u>\$ 9,796,037</u>	<u>\$ 9,809,644</u>
Expenses:		
Instruction	\$ 9,433,520	\$ 9,742,122
Student support services	296,119	292,487
Instructional support	603,433	677,985
District administration	671,248	659,562
School administration	715,301	711,873
Business support	164,626	132,151
Plant operations	1,491,974	1,494,701
Student transportation	558,635	627,118
Community services	217,333	199,899
Interest on long term debt	332,677	357,936
Loss on disposal of assets	42,888	5,890
Food service operation	913,540	964,435
Other Debt service	<u>12,364</u>	<u>17,413</u>
Total Expenses	<u>\$15,453,658</u>	<u>\$15,883,572</u>
Change in net assets	<u>\$ 639,618</u>	<u>\$ 270,956</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$9,179,344) making up 77% of total revenue and \$2,400,691 from local taxes (20%).

School Allocation

Regular instruction (\$7,036,727) accounts for 89% of the school level expenditures (\$7,875,046).

Central Support Allocation

Central support services expenditures were Transportation (\$511,476) 4.0%, Maintenance & Operations (\$1,444,594) 13.0%, and Business Functions (\$152,701) 1.0% of total expenditures.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$749,880 in contingency 7.5%. The beginning general fund balance for beginning the fiscal year was \$684,080. Significant Board action that impacts the finances includes a 1.0% pay raise for all employees.

Mayfield Independent Public Schools received federal grants in the amount of \$1,565,990 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$620,486 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Lonnie Burgett or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 857,884	\$ 257,249	\$ 1,115,133
Inventory	0	40,926	40,926
Accounts receivable:			
Taxes - current	111,557	0	111,557
Taxes - delinquent	3,748	0	3,748
Accounts receivable	21,220	0	21,220
Intergovernmental - state	45,214	0	45,214
Intergovernmental - indirect federal	272,359	0	272,359
Prepaid expenses	79,476	0	79,476
Unamortized bond issue costs	65,759	0	65,759
Due from school activity funds	1,485	0	1,485
Total current assets	<u>1,458,702</u>	<u>298,175</u>	<u>1,756,877</u>
Noncurrent Assets:			
Capital assets	23,232,827	461,772	23,694,599
Less: Accumulated depreciation	<u>(8,702,837)</u>	<u>(258,909)</u>	<u>(8,961,746)</u>
Total noncurrent assets	<u>14,529,990</u>	<u>202,863</u>	<u>14,732,853</u>
TOTAL ASSETS	<u><u>\$ 15,988,692</u></u>	<u><u>\$ 501,038</u></u>	<u><u>\$ 16,489,730</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 83,152	\$ 2,474	\$ 85,626
Due to student activity funds	678	0	678
Deferred revenue	67,879	0	67,879
Current portion of bond obligations	480,000	0	480,000
Current portion of KISTA notes payable	50,306	0	50,306
Current portion of accrued sick leave	38,562	0	38,562
Interest payable	104,706	0	104,706
Total current liabilities	<u>825,283</u>	<u>2,474</u>	<u>827,757</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	8,240,000	0	8,240,000
Less: Unamortized bond discount	(97,346)	0	(97,346)
Noncurrent portion of KISTA notes payable	270,728	0	270,728
Noncurrent portion of accrued sick leave	312,003	0	312,003
Total noncurrent liabilities	<u>8,725,385</u>	<u>0</u>	<u>8,725,385</u>
TOTAL LIABILITIES	<u><u>\$ 9,550,668</u></u>	<u><u>\$ 2,474</u></u>	<u><u>\$ 9,553,142</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 5,547,355	\$ 202,863	\$ 5,750,218
Restricted for:			
SBDM carryover	54,056	0	54,056
Capital projects	141,699	0	141,699
Debt service	2,172	0	2,172
Unrestricted	692,742	295,701	988,443
TOTAL NET ASSETS	<u><u>\$ 6,438,024</u></u>	<u><u>\$ 498,564</u></u>	<u><u>\$ 6,936,588</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 9,433,520	\$ 114,609	\$ 3,696,919	\$ 819,054	\$ (4,802,938)	\$ 0	\$ (4,802,938)
Support Services:							
Student	296,119	0	46,195	0	(249,924)	0	(249,924)
Instructional Staff	603,433	0	150,705	0	(452,728)	0	(452,728)
District Administration	671,248	0	32,998	0	(638,250)	0	(638,250)
School Administration	715,301	0	106,968	0	(608,333)	0	(608,333)
Business	164,626	0	18,792	0	(145,834)	0	(145,834)
Plant operations and maintenance	1,491,974	0	78,437	0	(1,413,537)	0	(1,413,537)
Student transportation	558,635	0	62,122	0	(496,513)	0	(496,513)
Food service	1,111	0	1,888	0	777	0	777
Community service activities	217,333	0	216,067	0	(1,266)	0	(1,266)
Interest on long-term debt	332,677	0	8,796	0	(323,881)	0	(323,881)
Loss on disposal of fixed assets	42,888	0	0	0	(42,888)	0	(42,888)
Other debt service	12,364	0	0	0	(12,364)	0	(12,364)
Total governmental activities	14,541,229	114,609	4,419,887	819,054	(9,187,679)	0	(9,187,679)
Business-Type Activities:							
Food service	912,429	112,037	831,652	0	0	31,260	31,260
Total business-type activities	912,429	112,037	831,652	0	0	31,260	31,260
Total primary government	\$ 15,453,658	\$ 226,646	\$ 5,251,539	\$ 819,054	(9,187,679)	31,260	(9,156,419)
General Revenues:							
Taxes:							
Property					1,731,852	0	1,731,852
Motor Vehicle					254,842	0	254,842
Utilities					651,686	0	651,686
In Lieu of					112,497	0	112,497
Earnings on Investments					24,976	4,680	29,656
State and formula grants					6,962,734	0	6,962,734
Miscellaneous					52,770	0	52,770
Transfers					(777)	777	0
Change in net assets					602,901	36,717	639,618
Net assets at July 1, 2008					5,835,123	461,847	6,296,970
Net assets at June 30, 2009					\$ 6,438,024	\$ 498,564	\$ 6,936,588

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 948,644	\$ (234,631)	\$ 141,699	\$ 2,172	\$ 857,884
Accounts receivable:					
Taxes - current	111,557	0	0	0	111,557
Taxes - delinquent	3,748	0	0	0	3,748
Accounts receivable	21,220	0	0	0	21,220
Intergovernmental - state	97	45,117	0	0	45,214
Intergovernmental - indirect federal	13,314	259,045	0	0	272,359
Due from school activity funds	1,485	0	0	0	1,485
Prepaid expenses	79,476	0	0	0	79,476
TOTAL ASSETS AND RESOURCES	\$ 1,179,541	\$ 69,531	\$ 141,699	\$ 2,172	\$ 1,392,943
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 81,500	\$ 1,652	\$ 0	\$ 0	\$ 83,152
Due to student activity funds	678	0	0	0	678
Deferred revenue	0	67,879	0	0	67,879
Current portion of accrued sick leave	38,562	0	0	0	38,562
TOTAL LIABILITIES	120,740	69,531	0	0	190,271
FUND BALANCES:					
Reserved:					
SBDM carryover	54,056	0	0	0	54,056
Unreserved:					
Undesignated, reported in:					
General fund	1,004,745	0	0	0	1,004,745
Capital projects funds	0	0	141,699	0	141,699
Debt service funds	0	0	0	2,172	2,172
TOTAL FUND BALANCES	1,058,801	0	141,699	2,172	1,202,672
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,179,541	\$ 69,531	\$ 141,699	\$ 2,172	\$ 1,392,943

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2009

Total fund balance per fund financial statements	\$ 1,202,672
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets	14,529,990
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Certain assets (such as unamortized bond issue costs) are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets	65,759
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Certain liabilities (such as bonds and notes payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets	<u>(9,360,397)</u>
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Net assets for governmental activities	<u><u>\$ 6,438,024</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 1,428,466	\$ 0	\$ 0	\$ 303,386	\$ 1,731,852
Motor Vehicle	254,842	0	0	0	254,842
Utilities	651,686	0	0	0	651,686
In Lieu of	65,697	0	0	0	65,697
Tuition	30,594	0	0	0	30,594
Earnings on Investments	24,834	0	0	142	24,976
Other local revenues	115,027	54,028	0	0	169,055
Intergovernmental - State	9,179,344	620,486	0	809,321	10,609,151
Intergovernmental - indirect federal	39,787	1,565,990	0	0	1,605,777
TOTAL REVENUES	11,790,277	2,240,504	0	1,112,849	15,143,630
EXPENDITURES:					
Current:					
Instruction	7,036,727	1,968,748	0	0	9,005,475
Support Services:					
Student	283,296	2,498	0	0	285,794
Instructional Staff	555,023	80,858	0	0	635,881
District Administration	688,426	0	0	0	688,426
School Administration	708,301	0	0	0	708,301
Business	152,701	0	0	0	152,701
Plant operations and maintenance	1,444,594	0	0	42,929	1,487,523
Student transportation	511,476	0	0	0	511,476
Food service	0	1,111	0	0	1,111
Community service activities	0	216,067	0	0	216,067
Facilities acquisition and construction	10,500	0	145,202	25,000	180,702
Debt service	59,019	0	0	793,155	852,174
TOTAL EXPENDITURES	11,450,063	2,269,282	145,202	861,084	14,725,631
Excess (deficit) of revenues over expenditures	340,214	(28,778)	(145,202)	251,765	417,999
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of fixed assets	97,713	0	0	0	97,713
Operating transfers in	486	28,778	286,901	768,286	1,084,451
Operating transfers out	(63,692)	0	0	(1,020,759)	(1,084,451)
TOTAL OTHER FINANCING SOURCES (USES)	34,507	28,778	286,901	(252,473)	97,713
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	374,721	0	141,699	(708)	515,712
Fund Balance, July 1, 2008	684,080	0	0	2,880	686,960
Fund Balance, June 30, 2009	\$ 1,058,801	\$ 0	\$ 141,699	\$ 2,172	\$ 1,202,672

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2009

Net change in total fund balances per fund financial statements	\$ 515,712
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$(676,521), loss on the disposal of assets of (\$42,888) and gross proceeds from the sale of fixed assets of (\$97,713) exceeded capital outlays of \$430,445 in the current period	(386,677)
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets. This is the amount by which debt repayments of \$528,790 exceeds amortization of bond issue costs of (\$5,470), amortization of bond discount of \$(6,894) and new debt proceeds of (\$71,307)	445,119
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the decrease in compensated absences of \$27,540 and the decrease in interest payable of \$1,207	<u>28,747</u>
Change in net assets of governmental activities	<u><u>\$ 602,901</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Food Service Fund
	<hr/>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 257,249
Inventory	<u>40,926</u>
Total current assets	<u>298,175</u>
Noncurrent Assets	
Capital assets	461,772
Less: accumulated depreciation	<u>(258,909)</u>
Total noncurrent assets	<u>202,863</u>
TOTAL ASSETS	<u><u>\$ 501,038</u></u>
 LIABILITIES:	
Current Liabilities	
Accounts payable	<u>\$ 2,474</u>
Total current liabilities	<u><u>\$ 2,474</u></u>
 Net Assets	
Invested in capital assets, net of related debt	\$ 202,863
Unrestricted	<u>295,701</u>
Total net assets	<u><u>\$ 498,564</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 112,037
Total operating revenues	<u>112,037</u>
Operating Expenses:	
Salaries and benefits	416,078
Contract services	26,137
Materials and supplies	437,651
Depreciation	30,725
Expendable equipment	607
Other operating expenses	<u>1,175</u>
Total operating expenses	<u>912,373</u>
Operating income (loss)	<u>(800,336)</u>
Non-Operating Revenues (Expenses):	
Federal grants	707,592
Donated commodities	56,771
State grants	67,289
Interest income	4,680
Loss on disposal of fixed assets	<u>(56)</u>
Total non-operating revenues	<u>836,276</u>
Net income before transfers	35,940
Operating transfers in	<u>777</u>
Change in net assets	36,717
Net Assets, July 1, 2008	<u>461,847</u>
Net Assets, June 30, 2009	<u><u>\$ 498,564</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 112,037
Cash paid to/for:	
Employees	(416,078)
Contract services	(23,678)
Materials and supplies	(403,828)
Expendable equipment	(607)
Other operating expenses	(1,175)
Net cash provided by (used in) operating activities	<u>(733,329)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	777
Operating grants received	780,397
Net cash provided by (used in) non-capital financing activities	<u>781,174</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(3,117)
Net cash provided by (used in) capital and related financing activities	<u>(3,117)</u>
Cash Flows from Investing Activities:	
Interest income received	4,680
Net cash provided by (used in) investing activities	<u>4,680</u>
Net increase (decrease) in cash and cash equivalents	49,408
Cash and cash equivalents, July 1, 2008	<u>207,841</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 257,249</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (800,336)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	30,725
Commodities used	56,771
Changes in assets and liabilities:	
Inventory	(22,963)
Accounts payable	2,474
Net cash provided by operating activities	<u><u>\$ (733,329)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 56,771
On-behalf payments	56,182
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 112,953</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 55,243	\$ 51,923
Accounts receivable	0	734
Due from Board General Fund	<u>0</u>	<u>678</u>
Total Assets	<u><u>\$ 55,243</u></u>	<u><u>\$ 53,335</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 13,938
Due to Board General Fund	0	1,485
Due to student groups	<u>0</u>	<u>37,912</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 53,335</u></u>
 NET ASSETS HELD IN TRUST	<u><u>\$ 55,243</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest income	\$ 287
Contributions received	<u>27,615</u>
Total Additions	<u>27,902</u>
Deductions:	
Benefits paid	<u>4,800</u>
Total Deductions	<u>4,800</u>
Change in net assets	23,102
Net assets, July 1, 2008	<u>32,141</u>
Net assets, June 30, 2009	<u><u>\$ 55,243</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Mayfield Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Mayfield Independent Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Mayfield Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include all financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 45. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for activities held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are included in inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property Tax Revenues – Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Taxes collected are deposited into the General Fund or the FSPK Fund based on the proper allocation between funds.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund and FSPK Fund operations were \$.683 per \$100 valuation for real property, \$.683 per \$100 valuation for business personal property and \$.689 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “current portion of accrued sick leave” in the general fund. The noncurrent portion of the liability is not reported.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Significant amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the food service fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The amount included in prepaid assets at June 30, 2009 consisted of treasurer's bond and student accident insurance paid during June, 2009 for the policy period of July 1, 2009 through June 30, 2010 and one-half of the premiums paid for commercial umbrella liability, commercial auto, and commercial property coverage for the policy period of January 1, 2009 through December 31, 2009.

Investments

Investing is performed in accordance with investment policies complying with state statutes. The District had no investments at June 30, 2009.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Debt Costs

Debt issuance costs and unamortized discounts are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets and SBDM carryover.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,222,299. Of the total cash balance, \$252,172 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2009 consisted of the following:

	Bank Balance	Book Balance
Integra Bank - interest bearing	\$ 1,697,406	\$ 1,220,127
Integra Bank - bond trust account	1,455	1,455
1st Kentucky Bank - bond trust account	717	717
	<hr/>	<hr/>
Total	\$ 1,699,578	\$ 1,222,299
	<hr/>	<hr/>
Breakdown per financial statements:		
Governmental funds		\$ 857,884
Proprietary funds		257,249
Fiduciary funds		107,166
		<hr/>
Total		\$ 1,222,299
		<hr/>

NOTE D – PRIOR PERIOD ADJUSTMENT

During a comparison of fixed assets in the District with the fixed assets recorded in the accounting system, there were some items that had not previously been tagged. The District tagged those items and added them to the accounting system at that point. The total of those items are being added to the net assets at July 1, 2008 on page 9 of this audit report. The amount as adjusted is as follows:

Balance of net assets at June 30, 2008 per prior year audit report	\$ 5,817,607
Prior period adjustment for assets not previously tagged	<u>17,516</u>
Balance of net assets at July 1, 2008 per page 9 of this audit report	<u>\$ 5,835,123</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2009

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Capital Assets:				
Land and improvements	\$ 1,713,353	\$ 0	\$ 110,094	\$ 1,603,259
Buildings and improvements	18,996,748	5,500	417,873	18,584,375
Technology equipment	1,182,226	151,002	55,008	1,278,220
Vehicles	1,060,662	79,207	22,143	1,117,726
General Equipment	461,629	51,687	7,118	506,198
Construction	0	143,049	0	143,049
Totals at historical cost	<u>23,414,618</u>	<u>430,445</u>	<u>612,236</u>	<u>23,232,827</u>
Less: Accumulated depreciation				
Land and improvements	\$ 570,267	\$ 27,631	\$ 47,121	550,777
Buildings and improvements	5,996,321	385,779	342,299	6,039,801
Technology equipment	834,468	181,182	54,777	960,873
Vehicles	773,488	58,062	21,327	810,223
General equipment	323,407	23,867	6,111	341,163
Total accumulated depreciation	<u>8,497,951</u>	<u>676,521</u>	<u>471,635</u>	<u>8,702,837</u>
Governmental Activities Capital Assets - Net	<u>\$ 14,916,667</u>	<u>\$ (246,076)</u>	<u>\$ 140,601</u>	<u>\$ 14,529,990</u>
<u>Business-Type Activities</u>				
Capital Assets:				
Technology equipment	\$ 10,808	\$ 1,180	\$ 2,295	\$ 9,693
General Equipment	456,455	1,937	6,313	452,079
Totals at historical cost	<u>467,263</u>	<u>3,117</u>	<u>8,608</u>	<u>461,772</u>
Less: Accumulated depreciation				
Technology equipment	9,630	770	2,295	8,105
General Equipment	227,106	29,955	6,257	250,804
Total accumulated depreciation	<u>236,736</u>	<u>30,725</u>	<u>8,552</u>	<u>258,909</u>
Business-Type Activities Capital Assets - Net	<u>\$ 230,527</u>	<u>\$ (27,608)</u>	<u>\$ 56</u>	<u>\$ 202,863</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 520,716
Student support services	12,123
Instructional staff support services	10,190
District administration	23,342
School administration	7,000
Business	16,650
Plant operation and maintenance	37,467
Student transportation	47,767
Community services	1,266
Total depreciation expense	<u>\$ 676,521</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE F – KISTA BONDS PAYABLE

The District has financed some school buses through the KISTA bond pool. These amounts are not reflected on the fund financial statements.

The original amount of each bond series, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998	\$ 54,017	3.500% - 4.200%
2000	57,834	4.150% - 4.600%
2004	117,008	1.000% - 3.500%
2005	128,637	3.000% - 3.625%
2006	64,903	3.300% - 4.000%
2007	68,400	3.500% - 3.875%
2009	73,939	2.000% - 3.900%

The minimum obligations of the District at June 30, 2009 for debt service on these bonds (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-2010	\$ 50,306	\$ 10,967	\$ 61,273
2010-2011	51,984	9,303	61,287
2011-2012	46,163	7,609	53,772
2012-2013	45,405	6,108	51,513
2013-2014	44,477	4,565	49,042
2014-2015	33,464	3,017	36,481
2015-2016	20,601	1,823	22,424
2016-2017	14,806	1,070	15,876
2017-2018	6,791	526	7,317
2018-2019	7,037	274	7,311
	<u>\$ 321,034</u>	<u>\$ 45,262</u>	<u>\$ 366,296</u>

NOTE G – NOTE PAYABLE

The District purchased land during the fiscal year ended June 30, 2004 on a land contract. The purchase price of the land was \$60,000 and the District paid a down payment of \$10,000 and paid principal at the rate of \$10,000 per year until October 15, 2008, at which time the note was paid in full. The note bore an interest rate of 5%.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE H – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make bond payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1997	\$ 1,170,000	4.800% - 5.100%
2001	375,000	3.850% - 4.400%
2004	8,975,000	2.000% - 4.200%
2008	715,000	2.350% - 3.125%

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In 1997 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE H – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2009-2010	\$ 463,886	\$ 302,946	\$ 16,114	\$ 8,390	\$ 791,336
2010-2011	468,508	291,601	16,492	8,012	784,613
2011-2012	488,084	279,112	16,916	7,589	791,701
2012-2013	502,617	265,045	17,383	7,121	792,166
2013-2014	512,102	249,630	17,898	6,606	786,236
2014-2015	531,549	233,134	18,451	6,053	789,187
2015-2016	550,954	215,304	19,046	5,458	790,762
2016-2017	540,314	196,038	19,686	4,818	760,856
2017-2018	561,873	177,028	13,127	4,143	756,171
2018-2019	581,388	156,239	13,612	3,657	754,896
2019-2020	605,864	133,856	14,136	3,133	756,989
2020-2021	625,298	109,621	14,702	2,568	752,189
2021-2022	654,710	84,609	15,290	1,979	756,588
2022-2023	679,083	57,766	15,917	1,353	754,119
2023-2024	708,427	29,754	16,573	696	755,450
	<u>\$ 8,474,657</u>	<u>\$ 2,781,683</u>	<u>\$ 245,343</u>	<u>\$ 71,576</u>	<u>\$ 11,573,259</u>

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2008	Issued	Retired	Balance June 30, 2009
Bonds payable	\$ 9,190,000	\$ 0	\$ 470,000	\$ 8,720,000
Capital lease - KISTA	295,885	73,939	48,790	321,034
Note payable - land	10,000	0	10,000	0
Non-current portion of sick leave	339,543	42,836	70,376	312,003
Totals	<u>\$ 9,835,428</u>	<u>\$ 116,775</u>	<u>\$ 599,166</u>	<u>\$ 9,353,037</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE I – RETIREMENT PLANS

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov>.

Funding Policy - Contribution rates are established by KRS. For members who have established an account in the retirement system administered by the Commonwealth prior to July 1, 2008, members are required to contribute 9.855% of their salaries to KTRS. Members hired on or after July 1, 2008 pay an additional 1% of their salary to the medical insurance fund. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system, defined benefit pension plan. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 13.5% of the employee's total compensation subject to contribution. Employees hired on or after September 1, 2008 pay an additional 1% of their salary to the medical insurance fund. CERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

The District's total payroll for the year was \$8,908,168. The payroll for employees covered under KTRS was \$6,580,210 and for CERS was \$2,175,139.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE I – RETIREMENT PLANS – CONTINUED

The District's contributions to CERS for the year ended June 30, 2009 was \$402,401 which consisted of \$293,643 from the Board and \$108,758 from the employees, equal to the required contributions for the year. The contributions required and paid for CERS for the years ended June 30, 2008 and 2007 were \$453,218 and \$369,361, respectively. The District has no contribution requirement to KTRS; however the District paid \$103,395 from federal grant monies to KTRS in matching contributions for federally funded employees and the state paid KTRS \$760,478, in matching contributions, which is included in these financial statements as "on-behalf" payments in both revenues and expenses. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE J - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K – COMMITMENTS

The District entered into a contract for re-roofing and partial HVAC replacement for Mayfield High School in the amount of \$469,984 and architectural services related to the project in the amount of \$37,599 in May, 2009. During the fiscal year ended June 30, 2009, \$112,970 was paid for the roofing materials and \$30,079 was paid for architect services, leaving \$357,014 and \$7,520 to be paid under these contracts respectively.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destructions of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The District is also exposed to risks of loss related to injuries to employees. To obtain insurance for workers' compensation, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pool operates as a common risk management and insurance program for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to the fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2009

NOTE M - DEFICIT OPERATING BALANCES

The Mayfield High School athletic activity fund ended the fiscal year with a deficit fund balance of (\$2,450). The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Debt Service Fund	\$	708
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NOTE N - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	FSPK	Construction	Construction	\$ 239,830
Matching	General	Special Revenue	Technology Match	28,778
Operating	General	Debt Service	Debt Service	34,914
Operating	Capital Outlay	Debt Service	Debt Service	18,850
Operating	FSPK	Debt Service	Debt Service	714,522
Operating	Capital Outlay	Construction	Construction	47,071
Operating	Special Revenue	Food Service	Summer food program	777
Operating	Debt Service	General	Close bond fund	486

NOTE P – ON BEHALF PAYMENTS

The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants using the same functions and totaled \$2,225,992. This amount is not required to be included in the budgeted revenues or expenditures.

NOTE Q – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 1,485	\$ 678
Agency Fund:		
General Fund	678	1,485

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,350,000	\$ 1,350,000	\$ 1,428,466	\$ 78,466
Motor Vehicle	225,000	225,000	254,842	29,842
Utilities	525,000	525,000	651,686	126,686
In Lieu of	50,000	50,000	65,697	15,697
Tuition	20,000	20,000	30,594	10,594
Earnings on Investments	30,000	30,000	24,834	(5,166)
Other local revenues	4,000	4,000	115,027	111,027
Intergovernmental - State	6,874,121	6,874,121	9,179,344	2,305,223
Intergovernmental - Indirect Federal	15,000	15,000	39,787	24,787
TOTAL REVENUES	<u>9,093,121</u>	<u>9,093,121</u>	<u>11,790,277</u>	<u>2,697,156</u>
EXPENDITURES:				
Current:				
Instruction	5,313,513	5,313,513	7,036,727	(1,723,214)
Support Services:				
Student	252,501	252,501	283,296	(30,795)
Instructional Staff	454,151	454,151	555,023	(100,872)
District Administration	608,953	608,953	688,426	(79,473)
School Administration	605,867	605,867	708,301	(102,434)
Business	114,653	114,653	152,701	(38,048)
Plant operations and maintenance	1,317,308	1,317,308	1,444,594	(127,286)
Student transportation	580,266	580,266	511,476	68,790
Facilities acquisition and construction	10,500	10,500	10,500	0
Debt service	0	0	59,019	(59,019)
Contingency	739,938	749,880	0	749,880
TOTAL EXPENDITURES	<u>9,997,650</u>	<u>10,007,592</u>	<u>11,450,063</u>	<u>(1,442,471)</u>
Excess (deficit) of revenues over expenditures	<u>(904,529)</u>	<u>(914,471)</u>	<u>340,214</u>	<u>1,254,685</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	99,920	99,920	97,713	(2,207)
Operating transfers in	239,463	239,463	486	(238,977)
Operating transfers out	(118,934)	(108,992)	(63,692)	45,300
TOTAL OTHER FINANCING SOURCES (USES)	<u>220,449</u>	<u>230,391</u>	<u>34,507</u>	<u>(195,884)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(684,080)</u>	<u>(684,080)</u>	<u>374,721</u>	<u>1,058,801</u>
Fund Balance, July 1, 2008	<u>684,080</u>	<u>684,080</u>	<u>684,080</u>	<u>0</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,058,801</u>	<u>\$ 1,058,801</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,169,810 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 0	\$ 0	\$ 54,028	\$ 54,028
Intergovernmental - State	575,289	630,559	620,486	(10,073)
Intergovernmental - Indirect federal	1,387,141	1,922,684	1,565,990	(356,694)
TOTAL REVENUES	<u>1,962,430</u>	<u>2,553,243</u>	<u>2,240,504</u>	<u>(312,739)</u>
EXPENDITURES:				
Current:				
Instruction	1,712,815	2,305,806	1,968,748	337,058
Support Services:				
Student support	0	0	2,498	(2,498)
Instructional Staff	77,023	77,023	80,858	(3,835)
Food service	0	0	1,111	(1,111)
Community service activities	187,650	185,472	216,067	(30,595)
TOTAL EXPENDITURES	<u>1,977,488</u>	<u>2,568,301</u>	<u>2,269,282</u>	<u>299,019</u>
Excess (deficit) of revenues over expenditures	<u>(15,058)</u>	<u>(15,058)</u>	<u>(28,778)</u>	<u>(13,720)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	15,058	15,058	28,778	13,720
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,058</u>	<u>15,058</u>	<u>28,778</u>	<u>13,720</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 0	\$ 0	\$ 2,172	\$ 2,172
TOTAL ASSETS AND RESOURCES	\$ 0	\$ 0	\$ 2,172	\$ 2,172
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0	0
EQUITY AND FUND BALANCES:				
Unreserved:				
Undesignated, reported in:				
Capital projects funds	0	0	0	0
Debt service funds	0	0	2,172	2,172
TOTAL FUND BALANCES	0	0	2,172	2,172
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 0	\$ 2,172	\$ 2,172

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 303,386	\$ 0	\$ 0	\$ 303,386
Earnings on Investments	0	0	142	142
Intergovernmental - State	650,966	133,850	24,505	809,321
TOTAL REVENUES	<u>954,352</u>	<u>133,850</u>	<u>24,647</u>	<u>1,112,849</u>
EXPENDITURES:				
Plant operation and maintenance	0	42,929	0	42,929
Facilities acquisition and construction	0	25,000	0	25,000
Debt service	0	0	793,155	793,155
TOTAL EXPENDITURES	<u>0</u>	<u>67,929</u>	<u>793,155</u>	<u>861,084</u>
Excess (deficit) of revenues over expenditures	<u>954,352</u>	<u>65,921</u>	<u>(768,508)</u>	<u>251,765</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	768,286	768,286
Operating transfers out	(954,352)	(65,921)	(486)	(1,020,759)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(954,352)</u>	<u>(65,921)</u>	<u>767,800</u>	<u>(252,473)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	(708)	(708)
Fund Balance, July 1, 2008	0	0	2,880	2,880
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,172</u>	<u>\$ 2,172</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2009

	1997 BONDS FUND	2001 BONDS FUND	2004 BONDS FUND	2008 BONDS FUND	Totals Debt service Fund
REVENUES:					
Earnings on investments	\$ 0	\$ 0	\$ 136	\$ 6	\$ 142
Intergovernmental - State	4,861	0	17,270	2,374	24,505
TOTAL REVENUES	4,861	0	17,406	2,380	24,647
EXPENDITURES:					
Debt Service:					
Principal	70,000	25,000	365,000	10,000	470,000
Interest	3,535	9,914	290,474	19,232	323,155
Other debt service	0	0	0	0	0
TOTAL EXPENDITURES	73,535	34,914	655,474	29,232	793,155
Excess (deficit) of revenues over expenditures	(68,674)	(34,914)	(638,068)	(26,852)	(768,508)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	68,674	34,914	638,204	26,494	768,286
Operating transfers out	(486)	0	0	0	(486)
TOTAL OTHER FINANCING SOURCES (USES)	68,188	34,914	638,204	26,494	767,800
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(486)	0	136	(358)	(708)
Fund balance July 1, 2008	486	717	1,291	386	2,880
Fund balance June 30, 2009	\$ 0	\$ 717	\$ 1,427	\$ 28	\$ 2,172

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS
June 30, 2009

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 19,541	\$ 11,838	\$ 20,544	\$ 51,923
Accounts Receivable	0	155	579	734
Due from Board General Fund	0	678	0	678
TOTAL ASSETS	\$ 19,541	\$ 12,671	\$ 21,123	\$ 53,335
LIABILITIES:				
Accounts Payable	\$ 4,819	\$ 3,191	\$ 5,928	\$ 13,938
Due to Board General Fund	0	0	1,485	1,485
Due to Student Groups	14,722	9,480	13,710	37,912
TOTAL LIABILITIES	\$ 19,541	\$ 12,671	\$ 21,123	\$ 53,335
NET ASSETS HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS

For the Year Ended June 30, 2009

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 82	\$ 100	\$ 201	\$ 383
Student activities	44,393	97,029	259,750	401,172
Total Revenues	44,475	97,129	259,951	401,555
EXPENDITURES				
Student Activities	44,497	104,212	272,217	420,926
Total expenditures	44,497	104,212	272,217	420,926
Excess (deficit) of revenues over expenditures	(22)	(7,083)	(12,266)	(19,371)
Due to student groups, July 1, 2008	14,744	16,563	25,976	57,283
Due to student groups, June 30, 2009	\$ 14,722	\$ 9,480	\$ 13,710	\$ 37,912

See independent auditor's report and accompanying notes to financial statements

MAYFIELD HIGH SCHOOL - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO
For the Year Ended June 30, 2009

	Cash Balance	Receipts		Disbursements	
	July 1, 2008	Actual	Budget	Actual	Budget
General Fund	\$ 4,604.27	\$ 21,222.84	\$ 26,273.21	\$ 23,981.39	\$ 26,158.15
Attendance	342.35	817.20	954.50	670.83	930.01
Concessions	509.91	795.19	1,630.78	578.40	1,304.95
Bookstore	68.98	0.00	0.00	0.00	0.00
Teacher Fund	169.95	973.01	1,364.71	1,101.64	1,359.56
Cultural Diversity	1,799.25	1,760.00	2,255.00	1,768.35	2,494.80
Red Rage Pep Club	5.74	2,772.21	150.00	2,777.95	400.00
Beta Club	108.07	1,015.78	870.00	999.75	1,040.00
Foreign Language	1,022.02	463.00	1,401.00	478.79	110.00
Key Club	364.29	520.00	1,450.00	383.50	0.00
Science Club	4,147.32	16,006.94	9,100.00	18,836.13	9,000.00
FCA	171.39	69.00	0.00	189.00	233.70
Student Tech Leadership	276.19	0.00	0.00	0.00	0.00
Academic Team	5.25	0.00	525.00	0.00	0.00
FCCLA	301.32	40.00	2,200.00	42.44	1,770.00
FMD	241.09	0.00	30.00	61.19	182.20
Industrial Art	457.51	0.00	0.00	0.00	0.00
Band	166.37	8,272.45	14,000.00	6,020.03	10,000.00
Sunshine Fund	50.00	637.50	560.00	675.00	510.00
Athletics	4,506.25	175,453.10	224,375.26	176,385.72	221,544.70
Class of 2008	270.26	0.00	0.00	270.26	0.00
Class of 2009	942.12	270.26	0.00	577.51	0.00
Class of 2010	0.00	6,898.95	0.00	6,035.18	0.00
Guidance	3,968.98	1,571.00	3,580.00	4,962.90	2,335.79
WMCTV	1,075.55	2,525.00	1,800.00	2,524.89	0.00
Special Olympics	913.44	0.00	0.00	196.00	0.00
Library Activities	156.14	202.45	100.00	135.36	150.00
Arts and Humanities	850.00	666.00	0.00	838.00	1,386.00
AP History	6.29	1,417.00	6,725.00	1,417.47	6,715.00
Shakespeare & Peers	359.76	560.10	600.00	729.50	425.00
Rotary Interact	25.61	130.00	101.00	90.95	26.00
Drama Club	243.31	344.78	792.48	576.82	549.17
Beatnik Café	201.33	81.05	483.25	0.00	281.92
Publications	11,733.80	15,255.00	15,932.55	26,954.92	4,198.75
Subtotal	40,064.11	260,739.81	317,253.74	280,259.87	293,105.70
Less: Interfund Transfers	0.00	370.26	0.00	370.26	0.00
Total	<u>\$ 40,064.11</u>	<u>\$ 260,369.55</u>	<u>\$ 317,253.74</u>	<u>\$ 279,889.61</u>	<u>\$ 293,105.70</u>

	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Due to June 30, 2009
General Fund	\$ 1,845.72	\$ 89.67	\$ 796.32	\$ 1,139.07
Attendance	488.72	0.00	0.00	488.72
Concessions	726.70	51.32	0.00	778.02
Bookstore	68.98	0.00	0.00	68.98
Teacher Fund	41.32	0.00	0.00	41.32
Cultural Diversity	1,790.90	0.00	0.00	1,790.90
Pep Club	0.00	0.00	0.00	0.00
Beta Club	124.10	0.00	0.00	124.10
Foreign Language	1,006.23	0.00	0.00	1,006.23
Key Club	500.79	0.00	0.00	500.79
Science Club	1,318.13	0.00	0.00	1,318.13
FCA	51.39	0.00	0.00	51.39
Student Tech Leadership	276.19	0.00	0.00	276.19
Academic Team	5.25	0.00	0.00	5.25
FCCLA	298.88	0.00	0.00	298.88
FMD	179.90	0.00	0.00	179.90
Industrial Art	457.51	0.00	0.00	457.51
Band	2,418.79	0.00	0.00	2,418.79
Sunshine Fund	12.50	0.00	0.00	12.50
Athletics	3,573.63	120.00	6,143.81	(2,450.18)
Class of 2007	0.00	0.00	0.00	0.00
Class of 2008	634.87	0.00	325.00	309.87
Class of 2009	863.77	0.00	0.00	863.77
Guidance	577.08	23.00	22.50	577.58
WMCTV	1,075.66	0.00	0.00	1,075.66
Special Olympics	717.44	0.00	0.00	717.44
Library Activities	223.23	10.10	125.29	108.04
Arts and Humanities	678.00	0.00	0.00	678.00
AP History	5.82	0.00	0.00	5.82
Shakespeare & Peers	190.36	0.00	0.00	190.36
Rotary Interact	64.66	0.00	0.00	64.66
Drama Club	11.27	0.00	0.00	11.27
Beatnik Café	282.38	0.00	0.00	282.38
Publications	33.88	285.00	0.00	318.88
Subtotal	20,544.05	579.09	7,412.92	13,710.22
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 20,544.05	\$ 579.09	\$ 7,412.92	\$ 13,710.22

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2009

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Totals (Memorandum Only)
ASSETS:								
Cash and cash equivalents	<u>\$ 19,019</u>	<u>\$ 4,536</u>	<u>\$ 1,446</u>	<u>\$ 4,080</u>	<u>\$ 1,680</u>	<u>\$23,981</u>	<u>\$ 501</u>	<u>\$ 55,243</u>
TOTAL ASSETS	<u><u>\$ 19,019</u></u>	<u><u>\$ 4,536</u></u>	<u><u>\$ 1,446</u></u>	<u><u>\$ 4,080</u></u>	<u><u>\$ 1,680</u></u>	<u><u>\$23,981</u></u>	<u><u>\$ 501</u></u>	<u><u>\$ 55,243</u></u>
NET ASSETS HELD IN TRUST	<u><u>\$ 19,019</u></u>	<u><u>\$ 4,536</u></u>	<u><u>\$ 1,446</u></u>	<u><u>\$ 4,080</u></u>	<u><u>\$ 1,680</u></u>	<u><u>\$23,981</u></u>	<u><u>\$ 501</u></u>	<u><u>\$ 55,243</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET ASSETS HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2009

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Totals (Memorandum Only)
REVENUES:								
From local sources:								
Donations	\$ 0	\$ 0	\$ 2,750	\$ 350	\$ 200	\$ 23,815	\$ 500	\$ 27,615
Earnings on Investments	92	11	3	9	5	166	1	287
Total Revenues	92	11	2,753	359	205	23,981	501	27,902
EXPENDITURES								
Benefits paid	500	1,000	2,000	300	1,000	0	0	4,800
Total expenditures	500	1,000	2,000	300	1,000	0	0	4,800
Excess (deficit) of revenues over expenditures	(408)	(989)	753	59	(795)	23,981	501	23,102
Net Assets Held in Trust, July 1, 2008	19,427	5,525	693	4,021	2,475	0	0	32,141
Net Assets Held in Trust, June 30, 2009	<u>\$ 19,019</u>	<u>\$ 4,536</u>	<u>\$ 1,446</u>	<u>\$ 4,080</u>	<u>\$ 1,680</u>	<u>\$ 23,981</u>	<u>\$ 501</u>	<u>\$ 55,243</u>

See independent auditor's report and accompanying notes to financial statements

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-07 & 08	\$ 297,848
Special Education Preschool Grants	84.173	3800002-07 & 08	<u>34,344</u>
<i>Total Special Education Cluster</i>			332,192
Title I Grants to Local Educational Agencies	84.010	3100002-07 & 08	778,286
English Language Acquisition Grants	84.365	3300002-07 & 08	31,904
Safe and Drug-Free Schools and Communities State Grants	84.186	3410002-07 & 08	10,788
Improving Teacher Quality State Grants	84.367	3230002-07 & 08	125,218
Education Technology State Grants	84.318	3210002-08	7,083
Rural Education	84.358	3140002-07 & 08	42,459
Migrant Education State Grant Program	84.011	3110002-07 & 08	25,065
Title I Grants to Local Educational Agencies, Recovery Act	84.389	3919	19,455
Grants for State Assessments and Related Activities	84.369	3900001-07	840
Passed through West KY Educational Coop:		4620932-08,	
Vocational Education Basic Grants to States	84.048	4610810-07 & 4620832-07	16,674
Passed through KY Community & Technical College:			
Tech-Prep Education	84.243	3638 & 3639	<u>4,586</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,394,550</u>
<u>U.S. Department of Health & Human Services:</u>			
Passed through Murray Board of Education:			
Head Start	93.600	6558 & 6559	<u>171,168</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>171,168</u>
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program	10.555	7750002-08 & 09	492,825
School Breakfast Program	10.553	7760005-08 & 09	220,283
Fresh Fruit and Vegetable Program	10.582	7720012-08	83
Summer Food Service Program for Children	10.559	7690024-08 & 7740023-08	<u>(3,627)</u>
<i>Total Child Nutrition Cluster</i>			709,564
Passed through Kentucky Dept. of Agriculture:			
Food Donation (Note B)	10.550	042-0200	<u>56,771</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>766,335</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,332,053</u>

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mayfield Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2009 is combined with purchased food inventory.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$	1,605,777
Total federal grants from page 15		707,592
Donated commodities from page 15		56,771
Less: Medicaid reimbursements included in indirect federal on page 12		(39,704)
Plus: Amount of federal funds coded as a negative expenditure		840
Plus: Transfer of funds from Fund 2 to Fund 51 for summer food service		777
		<hr/>
Total on page 45	\$	<u><u>2,332,053</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2009, which collectively comprise the Mayfield Independent School District's basic financial statements and have issued my report thereon dated October 21, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix 1 of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mayfield Independent School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mayfield Independent School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mayfield Independent School District's financial statements that is more than inconsequential will not be prevented or detected by the Mayfield Independent School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mayfield Independent School District's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mayfield Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or state audit requirements.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated October 21, 2009.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Mayfield Independent School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky
October 21, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Compliance

I have audited the compliance of Mayfield Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mayfield Independent School District's management. My responsibility is to express an opinion on Mayfield Independent School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mayfield Independent School District's compliance with those requirements.

In my opinion, Mayfield Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Mayfield Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. In addition, the results of my tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Mayfield Independent School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky
October 21, 2009

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Mayfield Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No significant deficiencies in internal control were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Mayfield Independent School District.

7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Improving Teacher Quality State Grants	84.367
Head Start	93.600

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Mayfield Independent School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2009**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year that were required to be reported in this section.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year that were required to be reported in this section.

MANAGEMENT LETTER POINTS

Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

In planning and performing my audit of the financial statements of Mayfield Independent School District for the year ended June 30, 2009, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated October 21, 2009 contains my report on the District's internal control structure. This letter does not affect my report dated October 21, 2009 on the financial statements of the Mayfield Independent School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Benton, Kentucky
October 21, 2009

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2009

CORRECTED PRIOR YEAR COMMENTS

Mayfield Elementary School Activity Fund

During the prior year, two disbursements in our test of procedures were not supported by sufficient documentation and two disbursements were supported by faxed invoices. In the current year, we noted proper supporting documentation for all disbursements tested.

Mayfield Middle School Activity Fund

During the prior year, one disbursement in our test of procedures was not supported by sufficient documentation, two disbursements were supported by faxed invoices, and one interfund transfer form was not signed by the activity sponsor. In the current year, we noted proper supporting documentation for all disbursements tested and proper signatures on interfund transfer forms.

Mayfield High School Activity Fund

During the prior year, two disbursements in our test of procedures were not supported by sufficient documentation, four disbursements were supported by faxed invoices, two invoices were overpaid due to mathematical accuracy not being checked, two interfund transfer forms were not signed by the principal, and the third part of a cash receipt ticket was missing for a voided receipt. In the current year, we noted proper supporting documentation for all disbursements tested, proper signatures on interfund transfer forms, mathematical accuracy on all invoices tested, and proper procedures for voiding cash receipt tickets.

CURRENT YEAR COMMENTS

Cash

As a part of our audit procedures, we account for all checks written in one month as clearing the bank, remaining on the outstanding check list at year-end, or as being voided. We examine all voided checks within the sequence to determine that proper procedures are being followed to deface the checks. We noted one blank signed check in the sequence tested that was in the void check file which had not been defaced in any manner. Blank checks should not be signed. Because an automated check signing process is used, it is possible for mistakes to be made when counting out the number of checks to load into the machine for signature. If this occurs and a blank check has a signature on it, the signature portion should be cut off or void should be written across the face of the check in ink to prevent misuse of the check. Blank signed checks should not be retained for use at a later date.

We also noted that the blank check stock is not kept in a locked cabinet and the key to the check signing machine is left in the machine. Although the check signing machine cannot be operated without access to the MUNIS payable or payroll system and the only personnel with access to those systems are authorized employees, we recommend that one of the check signers have the only access to blank checks with the other check signer having the only access to the key to the check signing machine. Currently the board treasurer, who is also the payroll clerk, is one check signer. The second check signer is the chairman of the board who is not present when checks need to be printed. When one person has the authority to affix both signatures on the checks without the second signer being present, there is no difference in only having one person sign the checks alone. While only one signature is required by law, the Board policy has been to have a second signature as an internal control procedure. We recommend the board consider changing the second check signer to someone in an administrative position at the board who would be available to maintain the key to the check signing machine.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2009

Management's Response:

All checks that need to be voided for any reason will be done so at the time the error is made. They will be defaced by cutting out the signature portion and writing void on the check. They will not be retained for future use. All checks will be used in numerical order.

Voided checks will be filed monthly with the other cancelled checks.

As soon as the check signer machine can be changed and new checks can be ordered, we will do so to accommodate the signature on the checks being changed from the board chairman and treasurer to the superintendent and the treasurer. The superintendent is available to take an active role in the issuance of the checks and review all the expenditures.

The check stock will be kept in a locked cabinet and the key to the check signing machine will not be left in the machine. The key to the check cabinet and the signing machine will be kept by a third person in the office who handles other financial matters in the office, but does not write checks.

Travel Expenditures

In a random test of expenditures, we noted three travel vouchers which were not signed as being approved by the supervisor of the employee. Board policy is to have all travel approved prior to the travel. Meals cannot be included in travel unless there is an overnight stay needed. When the employee has completed the travel voucher, it should be submitted to the supervisor who authorized the travel for signature to indicate such approval.

Management's Response:

All travel expenses will be submitted for reimbursement on the district's approved travel voucher and signed by the appropriate supervisor. Travel expense will be reimbursed in accordance with board policy and will have the receipts for the expenses attached.

The comments related to each school are listed on pages 56 and 57.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2009

School Activity Funds

Exceptions to recommended procedures were noted at two schools as listed below. As noted in the "Corrected Prior Year Comments" section, all items noted from the previous year had been corrected in the current year. Each school should be commended for the improvements made during the current year.

- 1) Mayfield Elementary: The books and records of the activity fund were neatly and accurately kept. Cash receipts appeared to be properly recorded and deposited in a timely manner. Disbursements appeared to have proper supporting documentation. Interfund transfers appeared to have proper supporting documentation with approvals by the principal and fund sponsor, where applicable.
- 2) Mayfield Middle School: The books and records of the activity fund were neatly and accurately kept. Cash receipts appeared to be properly recorded and deposited in a timely manner. Disbursements appeared to have proper supporting documentation. Interfund transfers appeared to have proper supporting documentation with approvals by the principal and fund sponsor, where applicable.

The general fund and the cheerleaders fund ended the fiscal year with deficit balances of \$342 and \$206 respectively. While there was a positive balance of cash in each activity fund, when accounts payable and accounts receivable were recorded, these funds had deficit balances. The "Red Book" states that "No school activity fund shall end the fiscal year (June 30) or begin the fiscal year (July 1) with a deficit balance. Receivables and payables shall be included in the end of the year balance. In the event a fund is deficit, the board shall be responsible for all financial obligations of the district including those incurred by school principals or their agents (KRS 160.550). All transfers of money to cover deficit balances shall be reimbursed only when funds are available."

Management's Response:

We were not aware of the deficit balances until all the receivables and payables were recorded for the audit. The Mayfield Board of Education will cover any deficit balances in order to assure this does not happen again. We will communicate better with the school bookkeeper and principal to assure that this will not reoccur.

- 3) Mayfield High School: The books and records of the activity fund were neatly and accurately kept. Cash receipts appeared to be properly recorded and deposited in a timely manner. Disbursements appeared to have proper supporting documentation. Interfund transfers appeared to have proper supporting documentation with approvals by the principal and fund sponsor, where applicable.

The athletics fund ended the fiscal year with a deficit balance of \$2,450. While there was a positive balance of cash in each activity fund, when accounts payable and accounts receivable were recorded, the athletic fund had a deficit balance. See quote from "Red Book" in comment number two above.

Management's Response:

We were not aware of the athletic fund deficit balance until all the receivables and payables were recorded for the audit. The Mayfield High School general fund will cover any deficit balance of the athletic fund and the Board of Education would cover any deficit of the general fund. The athletic director needs to communicate closely with the booster club in order to obtain reimbursements and we will communicate better with the school bookkeeper, athletic director and principal to assure that this will not reoccur.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2009

Mayfield High School (Continued):

A budget for only twelve individual activity funds could be located. For the remainder of the funds, the prior year actual amounts were used for comparison purposes. The "Red Book" states that "Each club and organization shall prepare a tentative budget of receipts and expenditures for the next school year on the Individual Activity Budget Worksheet (Form F-SA-4A) or Support/Booster Organization Budget (Form F-SA-4B). The budgets are due to the principal by April 15. The sponsor shall work with the officers in this process to assure continuity of activity programs. The principal or designated others shall prepare budgets for all other accounts for SBDM approval. The principal shall submit the Principal's Combining Budget (Form F-SA-3) and attached individual activity fund budgets to the superintendent by May 15th. The superintendent submits this to the local board. This budget development should be consistent with KRS 160.470 related to the budget cycle. Information provided shall include anticipated receipts from all sources, including fund-raising. Receipts and expenditures shall be detailed for each activity account at the school. Fund-raising requests from school support groups may be included as part of the school activity budgets. Local board approval of school activity budgets and fund-raising activities should be complete by the end of May for the following year. The clubs and organizations shall submit final budgets within thirty days after the school year begins or within thirty days of the first transaction of the group."

Management's Response:

The high school principal and bookkeeper know that each organization should submit a budget which is used to compile a budget for the school's total budget. This budget is to be submitted to the superintendent for board approval. They did submit their fund raising requests but they were not incorporated in the total budget plan. We will discuss this with the school principal and bookkeeper and see that this does not happen again.